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(11)

Date Referred: February 10, 1989 FURTHER REFERRALS:

Date of Committee Action: 3/7/89

The FINANCE Committee considered: HB 48

HOUSE BILL NO. 48 [LIFELINE PHONE RATES]
"An Act relating to reduced rates and discounted service for certain low-income telecommunication customers."

RECOMMENDS:

[ ] replacing with CS HB 48 (Fin) [ ] the same title [ ] a new title
[ ] the attached amendment(s)
[ ] do pass
[ ] do not pass
[✓] no recommendation
[ ] individual recommendations
[ ] additional referral to the ____________ Committee

ADOPTS: ____________ letter of intent

ATTACHES NEW FISCAL NOTE(s):
[ ] fiscal impact
[ ] zero fiscal note
[✓] zero with analysis Fin 3/7/89

APPROVES PREVIOUS:
[ ] fiscal note(s) published:
____
[X] zero fiscal notes(s) published:
[illegible]

SIGNING DO PASS:

Ulmer [signature]
Shultz [signature]

SIGNING OTHER THAN DO PASS:
(Do Not Pass, No Recommendation, Amend)

Hoffman [signature] No Rec
Larson [signature] No Rec
Swackhammer [signature] No Rec
Brown [signature] No Rec
Barnes [signature] No Rec
Phillips [signature] No Rec
Rieger [signature] No Recommendation

CO- [signature]
Chairman's Signature
CO- [signature]

STATE OF ALASKA
1989 LEGISLATIVE SESSION

BILL VERSION: CSHB 48 (L&C)
PUBLISH DATE:

FISCAL NOTE

REQUEST:

Revision Date:
Title: An Act relating to reduced rates and discounted service for certain low-income telecommunication customers
Sponsor: Boucher and Goll
Requestor: House Labor & Commerce Committee

Agency Affected: Commerce & Econ. Dev.
BRU: APUC
Components: Operations

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Although implementation of this proposed legislation could result in some new filings before this commission, the number of proceedings should be fairly minimal and would not likely result in the need for additional fiscal resources.

T.S. Moninski II Sn

Prepared by: T.S. Moninski II, Executive Director
Phone: 276-6222
Division: Alaska Public Utilities Commission
Date:

Approved by Commissioner: Larry Merculieff JW Bunly, for
Date: 2/13/89
Agency: Department of Commerce & Economic Development

Distribution (by preparer):
- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

page ___ of ___

3308D/021389a

Adopted

IN THE HOUSE BY THE FINANCE COMMITTEE

CS FOR HOUSE BILL NO. 48 (Finance)

IN THE LEGISLATURE OF THE STATE OF ALASKA

SIXTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act relating to reduced rates and discounted local exchange telecommunication service for low-income individuals."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* Section 1. AS 42.05.301 is amended read:

Sec. 42.05.301. DISCRIMINATION IN SERVICE. Except as provided in AS 42.05.306, a [A] public utility may not, as to service, make or grant an unreasonable preference or advantage to any person or subject any person to an unreasonable prejudice or disadvantage. A public utility may not establish or maintain or provide an unreasonable difference as to service, either as between localities or as between classes of service, but nothing in this section prohibits the establishment of reasonable classifications of service or requires unreasonable investment in facilities.

* Sec. 2. AS 42.05 is amended by adding a new section to read:

Sec. 42.05.306. DISCOUNTED SERVICE AND REDUCED RATE. A public utility may provide a discounted service or a reduced rate for essential local exchange telecommunication services to individuals who receive benefits from a means test social services assistance program administered by the state or federal government. The commission may not require a utility to provide a discounted service or reduced rate or to incur uncompensated costs or administrative burdens for services provided under this section.

* Sec. 3. AS 42.05.391(a) is amended to read:

(a) Except as provided in AS 42.05.306, a [A] public utility may not, as to rates, grant an unreasonable preference or advantage to any of its customers or subject a customer to an unreasonable prejudice or disadvantage. A public utility may not establish or maintain an unreasonable difference as to rates, either as between localities or between classes of service. A municipally owned utility may offer uniform or identical rates for a public utility service to customers located in different areas within its certificated service area who receive the same class of service. Any uniform or identical rate shall, upon complaint, be subject to review by the commission and may be set aside if shown to be unreasonable.

STATE OF ALASKA
THE LEGISLATURE
LEGISLATIVE AFFAIRS AGENCY

POUCH Y STATE CAPITOL
JUNEAU, ALASKA 99811
907 465-3800

M E M O R A N D U M March 2, 1989

SUBJECT: Sectional analysis of CSHB 48(L&C) (Reduced rates & discounted service for low-income customers)

TO: Representative Ron Larson
Representative Lyman Hoffman
Co-chair, House Finance Committee

FROM: Teresa B. Cramer TBC
Legislative Counsel

You have requested a sectional analysis of the above described bill.

As a preliminary matter, note that a sectional analysis or summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents.

Sections 1 and 3 make the new section added by bill sec. 2 an exception to the existing laws prohibiting utilities from granting an unreasonable preference or subjecting anyone to an unreasonable disadvantage in the services or rates the utility provides.

Section 2 permits a public utility to provide low income individuals with a discounted service or a reduced rate for essential local exchange telecommunication services. A public utility may not be required to provide those services or rates or to incur uncompensated costs for providing them.

If I may be of further assistance, please advise.

TBC:gc:kb
WKG7/082

STATE OF ALASKA

STEVE COWPER, GOVERNOR

ALASKA PUBLIC UTILITIES COMMISSION
DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

420 "L" STREET
SUITE 100
ANCHORAGE, ALASKA 99501
(907) 276-6222

ALASKA PUBLIC UTILITIES COMMISSION

COMMENTS ON HB 48 (L&C)

February 21, 1989

HB 48 (L&C) allows utilities to provide a discounted service or reduced rate for local telephone service to qualifying low income individuals. The effect of this legislation is to make telephone lifeline rates a permissible form of discrimina- ation.

The Commission supports both the commitment to affordable, universal service and the increased ratemaking flexibility provided under HB 48 (L&C). However, the Commission objects to the provision of Section 2 of HB 48 (L&C) that limits its authority to require a discounted service or reduced rate. Specifically, the Commission recommends that the words "to provide a discounted service or reduced rate or" on page 1, lines 26-27, be eliminated. If the Legislature endorses the underlying premise of this bill, then it is sound, if not fundamental, public policy to give regulators the same level of discretion which is provided to the regulated to evaluate whether or not discounted or reduced rates are in the public interest. This is certainly one version of the level playing field which is so often touted in telecommunications issues. In addition, since the bill insulates utilities from the financial burdens of discounted services or reduced rates, there is no reasonable basis for arguing against giving the Commission equal standing in initiating telephone lifeline rates.

Item 5

Alaska Telephone Association
801 E. 56th Avenue / Suite 230
Anchorage, Alaska 99518
(907)563-4000 / FAX (907)562-3776

W. D. Pyron
President

Gordon Parker
Executive Director

January 24, 1989

Hon. H.A. Boucher
House of Representatives
102 Capitol Building, Pouch V
Juneau, Alaska 99811

Dear Representative Boucher:

I understand that a hearing on HB 48 is being held. Unfortunately a previous commitment prevents my attendance. I did, however, want to advise you and your Committee that the Alaska Telephone Association supports HB 48.

As you know, ATA worked with you in drafting this legislation originally. We continue our support because we believe it represents a step toward providing assistance to those among us who need it while protecting the interests of our remaining customer base.

We support this legislation because it allows utilities, in conjunction with the APUC, to develop lifeline rates desirable to the customer base of individual companies.

The legislation also presents a clear definition of eligible recipients. We support this provision as it presents a clear target population, will serve to prevent abuse and takes away the threat of the utility being placed in the position of establishing arbitrary qualifications.

We commend you for your continued support of this legislation. Upon my return, I will be available to participate in future hearings as the bill makes its way through the legislative process.

Sincerely,

Gordon Parker

Gordon Parker

GP/jv

June 1988 C-16

TOWARD UNIVERSAL TELEPHONE SERVICE IN CALIFORNIA: DOES LIFELINE NEED A LIFELINE?

By
Amy R. Bach
San Francisco, California

The Public Policy Institute was formed in 1985 as part of the Division of legislation, Research and Public Policy of the American Association of Retired Persons. One of the missions of the Institute is to foster research and analysis on public policy issues of interest to older Americans. This paper represents part of that effort.

The views expressed herein are for information, debate and discussion, and do not necessarily represent formal policies of the Association.

LIFELINE TELEPHONE SERVICE IN THE STATE OF CALIFORNIA
TABLE OF CONTENTS

Executive Summary

With the passage in 1983 of the Moore Universal Telephone Service Act, California became the first state to systematically address the needs of low-income telephone customers. California's Lifeline subscribers get basic monthly local telephone service for less than half the rates charged to regular customers. The program is well respected and often held up as a model, but has not been replicated by many other states.

Approximately one million people utilize the program. Brochures describing Lifeline service are printed in English, Spanish, Chinese, Korean and Vietnamese. Non-English-speaking consumers have been identified as the most difficult segment of the population to reach. Outreach by Pac Bell which serves the majority of California's telephone customers is mandated.

This paper explains changes in and challenges to the lifeline program since its inception. First, a decision was rendered by the Public Utility Commission (PUC) establishing criteria and procedures for participant eligibility, the type of services to be available, and the telephone companies to be taxed to fund the program. The case was reviewed again and additional modifications were made. The tax rate went from four percent to 1.5 percent back up to four percent, as participation in the Lifeline program increased. Originally, only the interexchange carriers were taxed, but later all telephone companies--including the local exchange carriers who administer Lifeline--were taxed to pay for the program. Remedial legislation took effect in

January 1987, expanding the service options and increasing the subsidy to low-income customers. The program is continually challenged. The PUC reopened their "Order Instituting Investigation" and California's lawmakers intervened again as well.

The legislature mandated a public proceeding to guarantee the participation of interested parties. Four intervenors--Towards Utility Rate Normalization; Public Advocates, Inc.; Consumer Action, and the public staff division of the public utilities company--represent residential customers in that proceeding. Among the most contested issues is the eligibility procedure, i.e., whether to institute a verification procedure instead of the current self-certification of eligibility. The Federal Communications Commission will not provide as many financial benefits to California because beneficiaries of the Lifeline program have not necessarily been screened for welfare eligibility. The consumer advocates oppose a full-scale verification program, but might accept random audits.

Workshops with the public were held in January 1988. Findings were turned over to an administrative law judge. Changes to the California program might include eliminating the monthly credits for equipment and inside wire charges, improving the means of combatting fraud, or setting a maximum subsidy for Lifeline customers. Other states will look at California's experience for guidance in how to assure universal service in a cost-effective and nondemeaning manner.

1. INTRODUCTION

Imagine it is two o'clock in the morning. An older woman is asleep, but is suddenly awakened by the sounds of someone outside trying to open her bedroom window. Her telephone is right next to the bed, so she reaches over and dials 911. Now, imagine that her telephone service has been shut off because she could not pay her bill.

Emergencies are only one of many reasons why all citizens need telephones. Generally speaking, a telephone is a link with the world, and no person should be isolated who does not want to be. For most Americans, life without telephone service is virtually unimaginable. Yet, as many as 7.4 million low-income households in America are estimated by U.S. PIRG to be without telephone service. Three quarters of these households do not have a telephone because they simply cannot afford the service.

The Federal Communications Commission (FCC) is statutorily charged with "regulating interstate and foreign commerce in communications by wire and radio so as to make available, as far as possible, to all the people of the United States a communication service with adequate facilities at reasonable charges."[1] The shorthand use of the phrase "universal service" has its origins in the recognition of this FCC statutory responsibility. There are countless economic and political factors that have shaped the modern telecommunications industry, but the break-up of the Bell monopoly phone system in 1980 seems to be responsible for slowing progress toward the goal of Universal service. As a result of the break-up, local phone rates have risen an estimated 40 percent, although long distance rates have decreased. Industry advocates contend this repricing was necessary because the two types of services are now provided by different companies. When both services were provided by the same entity, the cost of local phone calls was allegedly kept low through a subsidy provided by revenues from long distance calls.

Although the nation has not achieved the goal of universal service, the telecommunications industry has already launched the "information age," in which telephones can provide services for high speed data transmission, burglar alarms, answering machines, automated banking tellers, computer communications and a range of other highly profitable endeavors.[2] These services are not typically associated with telephone lines, but are provided through much of the same equipment. Few residential ratepayers want to finance the high technology ventures of a telecommunications system they only use to make a call across town; yet, because it is so hard to separate the cost of these overlapping services, local ratepayers may be bearing more than their fair share of costs.

In 1987, the results of a joint telecommunications study were released by the American Association of Retired Persons (AARP), the Consumer Federation of America (CFA), and American Telephone & Telegraph (AT&T). The scope of the study was on three levels: national, a four-state group (California, Florida, New York, and Texas) selected because they were large states with a high concentration of minority persons as residents, and a sample of disabled persons. The study undertook to examine consumer needs and the affordability of telephone service and to survey the level of confusion among the general public regarding the "new complex array of telecommunications services, costs and providers."[3] Older Americans merited substantial attention in the study of the post-divestiture marketplace for three reasons: 1) they represent a large and growing segment of the population; 2) many older Americans live on fixed incomes, which lessenstheir ability to afford phone service when rates increase; and 3) they are particularly susceptible to medical problems for which the telephone provides crucial access to medical attention and emergency services.

The older Americans surveyed noted that they use the phone as a means of outreach, for security and for the receipt of services. Survey respondents in households headed by individuals age 65 or older indicated great concern that lack of a telephone would lead to problems in communication with friends and families and during emergencies. Because the telephone is an essential part of the lives of those consumers who use the phone for "help, advice and consolation," low-income households may deplete resources needed for nutrition, shelter, or health care before disconnecting their telephone service.

The problem of affordability is particularly acute among minority elderly Americans. Selected information from a survey released in 1987 by the U.S. Bureau of the Census revealed that in the same four states covered by the joint telecommunications study--California, New York, Florida and Texas, the number of minority elderly households with 100-150 percent of poverty level income without telephone service was twice that of non-minority elderly households at the same income level.[4]

To combat rising local rates, consumer advocates often intervene in telephone rate cases under consideration by state utility regulators. Since divestiture, phone companies have requested over $10 billion in rate increases around the country; $5.5 billion of these requests have been granted.[5] The most direct assistance to low-income Americans in need of basic telephone service has been in the form of various "lifeline" programs, developed in recognition of the fact that "the telephone is not a diversion for the affluent, but a basic necessity for all."[6]

In 1984, the state of California implemented a Lifeline program that continues to serve as a model to other states that have developed or are in the process of developing similar programs. The program has undergone some changes since it began, and it is currently the subject of an ongoing investigation by the Public Utilities Commission (PUC). The program serves one million subscribers and will continue to function as is until the

PUC proceedings are completed.

This paper will examine the California program in the context of divestiture and will explain changes in the program that have been implemented since its inception. The paper will examine the ongoing investigation of the program, including issues raised and resolved to date. Finally, the paper will examine the future of Lifeline in California.

2. THE LIFELINE PROGRAM

Universal Lifeline Telephone Service (hereinafter Lifeline) is a special type of phone service available to low-income Californians. Lifeline subscribers get basic monthly local telephone service for less than half the rates charged to regular customers. Lifeline subscribers pay regular rates for toll and long distance calls. Subscribers also get a 50 percent discount on installation, service connection, and change of service charges. Deposit requirements for most subscribers are waived. Table 1 summarizes the subsidies received by subscribers; each subsidy is discussed in detail in subsequent sections.

Table 1

Universal Lifeline Telephone Service Subsidies

Subsidy	Item
Nonrecurring Charges	
$17.25 (50% of std. rate)	Service Connection Charges
$ 7.50 (50% of std. rate)	Service Conversion Charges
Recurring Charges	
$2.22 (50% of std. rate)	Measured Service Option
$4.13 (50% of std. rate)	Flat Rate Option
$ .75	Equipment Credit
$ .25	Inside Wiring Credit
$1.30	End User Fee Allowance (access charge)

The current form of Lifeline service is available in the state of California as a result of the 1983 Moore Universal Telephone Service Act,[7] named for sponsor Assemblywoman Gwen Moore, who chaired the California State Assembly Committee on Utilities and Commerce.

Program Eligibility

In order to be eligible to receive Lifeline service, a resident of California must meet the following requirements:

- Annual total gross household income can be no greater than...

Number of Persons in Household	Annual Income
1	$12,100
2	$12,100
3	$14,100
4	$17,000
Each additional person	add $ 2,900

- o Resident's home has only one phone number and is resident's main place of residence (i.e., not a second home)
- o Resident is not claimed as a dependent on another person's tax return.

The annual household income requirement is defined as "all revenues, from all household members, from whatever source derived, whether taxable or non-taxable, including, but not limited to: wages, salaries, interest, dividends, spousal support and child support payments, public assistance payments, social security and pensions, rental income, income from self-employment, and all employment-related, non-cash income."[8]

The $12,100 maximum income level is approximately 150 percent of the federal poverty guideline for a household with 2.3 family members. These income eligibility requirements have been raised twice since the inception of Lifeline service.

Types of Lifeline Service Available

There are currently two types of Lifeline service available in California: flat-rate and measured rate. Flat-rate service was made available through legislation that took effect in January 1987; prior to that time, only measured rate service was available. Eligible residents may choose between the two as follows:

Flat Rate--Subscribers may make an unlimited number of local calls for $4.13 per month. These calls must be made either within the local calling area, or within what is known as a zone usage measurement area (ZUM). ZUM is a way of measuring calls made in major metropolitan areas. Thus, flat-rate Lifeline subscribers in metropolitan areas may make calls within 0-8 miles of their home. This type of service is recommended for customers who make more than an average of 2-3 calls per day.

Measured Rate--Subscribers pay $2.22 per month for 60 untimed local calls per month. Additional calls cost an extra 10 cents between 61 and 70, 15 cents for each call over 70. This service is recommended for subscribers who make an average of 2-3 or fewer calls per day.

Other Lifeline Benefits

In addition to discounted monthly service charges, Lifeline subscribers receive a 75 cents credit towards a recurring monthly equipment charge, a 25 cents credit towards a recurring monthly inside wire charge, and a 50 percent discount on service connection, service conversion and modular jack installation charges for one telephone. The service connection discount is limited to one installation per year for eligible recipients.

The FCC Subscriber Line Charge

Subscribers also receive a monthly allowance that covers a controversial "subscriber line charge" imposed by the Federal Communications Commission on all telephone customers. The charge was instituted in 1985 by the FCC (in the face of vigorous opposition from consumer advocates).

Many contend that the subscriber line charge unfairly shifts long distance telephone costs onto local residential ratepayers. The charge was $1 per month until June 1986, when it rose to $2; it will reach $3.50 in 1989. The California State Lifeline Fund currently pays 50 percent of the subscriber line charge; the Federal Communication Commission pays the remainder.

Application/Verification Procedures

California residents who already have telephone service but think they are eligible to switch to Lifeline, apply by filling out a Universal Lifeline Eligibility Certificate. After paying a $7.50 service conversion charge, the applicant becomes a Lifeline subscriber. Since the service conversion fee paid by regular customers is $15, Lifeline subscribers thus receive a 50 percent discount on this charge.

Residents who do not have telephone service at all may apply through the business office of their local telephone company. If they have no outstanding unpaid telephone bills, no deposit is required to initiate service. A $17.25 service connection fee is charged which can be paid in three monthly installments. This charge is one-half of the rate charged to regular customers for service connection. If the customers do not already have a modular jack in their homes, they can have one installed at a 50 percent discount.

The income information provided by Lifeline applicants is "self-certified," i.e., assumed to be true and not automatically verified by the phone company or the PUC. Approximately one year after signing up as a Lifeline subscriber, customers receive a recertification form along with their monthly bill. The form must be completed and returned to their local telephone company within 30 days, thereby certifying that they are still eligible for Lifeline. Failure to complete and return the form results in an automatic conversion to regularly priced service.

Under self-certification, income information provided by Lifeline subscribers is generally not verified by the telephone company administering the service. However, the certificate contains language to the effect that the applicant understands that the California Public Utilities Commission may require verification of eligibility. Because California retains its self-certification method instead of verifying eligibility, the FCC pays only one-half of the subscriber line charge.

According to the PUC,[9] the only applications that are verified are those called to the PUC's attention by one of the smaller local telephone companies that are familiar with their customer base. The procedure is an informal one, whereby a company notifies the PUC of suspected fraud, and the PUC authorizes the company to verify the information. Companies cannot attempt to verify income eligibility without express authorization from the PUC.

3. HISTORY OF LIFELINE IN CALIFORNIA

Before the Moore Act

A form of Lifeline telephone service was available in California as early as 1968. At that time, the California PUC ordered Pacific Bell (Pac Bell) and General Telephone (General Tel) to offer a limited form of "lifeline" service consisting of 30 calls per month for a reduced rate.[10] The current program is provided through all 23 local exchange companies (LECs), although Pac Bell and General Tel continue to serve the bulk of all

Lifeline subscribers.

The 1968 Lifeline program was not tied to any income standards; therefore, it was available to anyone for whom it was convenient. In 1974, a PUC appointed by Governor Ronald Reagan ordered an end to the service, alleging that the service was being abused by high-income customers who used the service for second phone lines in their businesses or homes. According to Robert Jacobson, principal consultant to the California Assembly Committee on Utilities and Commerce, the order inspired a great public and political outcry that saved the service. The service continued to be offered until the implementation of the Moore Universal Telephone Service Act in 1984.

<u>Under The Moore Act</u>

When the Moore Universal Telephone Service Act became law in September 1983,[11] California became the first state in the country to address the needs of low-income telephone customers in the post-divestiture marketplace. As many consumer advocates predicted, rates for local telephone service soared following the historic, court-ordered break-up of the monopoly Bell system. Higher rates threatened to make telephone service unavailable to certain customers: older people on fixed incomes and low-income citizens.

In March 1987, opinion researcher Westat, Inc. released a report prepared for AARP, CFA, and AT&T that examined households without telephones in California.[12]

The report looked at 80 percent of households without phone service in California, which totaled 201,401. Over half of those surveyed receive some type of public assistance, such as Medicaid, Supplemental Security Income, Home Energy Assistance, Food Stamps, Home Relief, or Aid to Families with Dependent Children. It is interesting to note only 12.5 percent of those without telephones who were surveyed were 55 years of age or older, while 25.1 percent of all Californians fall in that age category. Thus, it may be concluded that older Californians are less likely to be without phone service than their younger counterparts.

The survey revealed that a total of 28.1 percent of households without telephone service had never had it. Of these households, 57.2 percent did not because they cannot afford to. Sixty-eight percent of those who once had a telephone but no longer do terminated their service within the past three years; 35.5 percent of those who once had telephone service had discontinued their service within the past year. The main reason given by respondents for discontinuation is the high cost of telephone service. These findings strongly suggest that divestiture-related local rate increases over the past three years have adversely affected low-income phone customers.

At this writing, California continues to be among a minority of states that have implemented independent Lifeline programs. The California program is well-respected and serves as a model for other states. Other states with notable programs are New

York, Wisconsin and Delaware.

4. PARTICIPATION IN THE LIFELINE PROGRAM

In the state of California where a good Lifeline program is available, the goal of universal service can best be met through an effective outreach program. Low-income consumers, particularly those who have difficulty reading English, must know that the program is available and how to sign up for it. Education can best be achieved through the cooperative efforts of the telephone industry and community organizations in scheduling workshops and conducting multi-lingual outreach efforts.

The four state Westat survey revealed that fully 80.8 percent of the households without telephone service surveyed were not aware of any financial assistance programs to help lower-income people get or keep telephone service.[13] While interviews were conducted in both English and Spanish, English was the primary language spoken in 78 percent of households without telephones. Spanish was the primary language spoken in 13.9 percent of households surveyed; Laotian, 3.0 percent; French, 0.3 percent. Both English speaking and non-English speaking families need to be informed about telephone assistance programs.

In noting the high percentage of persons unaware of any financial assistance programs to help low-income people get telephone service, the report states:

> This finding is noteworthy because California has one of the largest Lifeline programs in the country and it

appears that many of the people the program is designed to help are not aware of its existence.[14]

Of those who were unaware, 49.8 percent said they did not know where to go to find out about such assistance, 40.4 percent indicated they would go to the telephone company, and 4.8 percent would go to a government agency.

The responsibility for publicizing Lifeline essentially rests with the companies that provide the service. Pac Bell's outreach efforts are most notable, as they serve the majority of phone customers in California (approximately 90 percent).

The following schedule shows Lifeline participation for FY 1984/85, 1985/86, and 1986/87, as of June 1987:

MONTH	NUMBER OF PARTICIPANTS		
	1984/85	1985/86	1986/87
July	186,915	472,183	621,211
August	357,537	474,140	625,717
September	407,173	476,892	633,284
October	480,530	479,916	642,694
November	488,234	484,092	655,326
December	489,096	491,599	703,300
January	487,505	508,739	759,524
February	488,637	525,173	861,551
March	490,247	531,450	914,701
April	492,894	545,867	950,000 (EST.)
May	494,050	560,498	1,000,000 (EST.)
June	493,947	574,136	1,050,000 (EST.)

Thus, as of the date this schedule was compiled, Lifeline had increased by 20 percent since its inception. The most rapid increase occurred during the first year of operation, while during the 1985/86 fiscal year, program participation increased by an average of 1.8 percent per month. The PUC attributes the steady increase in Lifeline participation to:

- increased public awareness of the program;
- an increase in the calling allowance from 30 to 60 calls per month;
- the provision that family size be included in the eligibility criteria.

The PUC attributes the sharp increase from 759,524 in January 1987 to 861,551 in February 1987 to an increase in the income eligibility level and the addition of optional flat rate service.

Further, the PUC attributes increased public awareness of the program to recent Pac Bell outreach efforts that resulted from a PUC mandate. The mandate stemmed from a PUC investigation that found Pac Bell sales representatives were not publicizing Lifeline.

The Pac Bell Marketing Abuse Proceeding

In the months following divestiture of the Bell system, it is alleged, Pac Bell sales representatives were purposely misinforming customers so they would order the most expensive form of service.[15] By selling expensive service packages, Pac Bell sales representatives earned high commissions. Specifically, the allegation maintained customers were either not told about Lifeline at all, or they were told they would not be eligible to receive the service. Presumably, the number of Lifeline participants would have been higher if not for these alledged abusive practices.

The PUC conducted an investigation of Pac Bell's marketing practices by having employees of the Public Staff Division place test calls to the company while posing as potential customers. Pac Bell sales representatives rarely gave a price quotation for Lifeline unless asked directly. In one case, a sales representative quoted a $18.43 monthly charge for Lifeline service which should have cost $4.13.[16] In another case, a PUC employee posing as an unemployed applicant was told that because she would probably get a job by the end of the year earning more than the Lifeline minimum, she could not sign up for the service![17]

As a result of the discovered marketing abuses, the PUC conducted a formal investigation on the marketing activities of Pacific Bell.[18] At the conclusion of the investigation, the PUC issued an order on May 28, 1986, providing for remedial measures, including development by Pac Bell of a program to notify customers of the availability of Lifeline and issuance of refunds from the Pac Bell to thousands of customers who were misled into ordering expensive service packages.

Pac Bell ran newspaper announcements and inserted information in monthly bills that described how customers could obtain the refunds. Further, the company undertook a renewed effort to inform the public on the availability of Lifeline service. These efforts have already increased Lifeline subscribership and promise to continue to do so.

Lifeline Outreach

The brochure that describes Lifeline service is now printed in five languages: English, Spanish, Chinese, Korean and

Vietnamese. Prior to the order issued in the Pac Bell marketing abuse case, the brochures were only offered in English and Spanish. Non-English speaking consumers have been identified as the most difficult segment of the population to reach. Such consumers may not be accustomed to participating in this type of program. Further, they may be unable to read or understand promotional materials. Because such consumers tend to be in the lower-income strata, they are prime candidates for Lifeline service.

In addition to producing brochures in more languages, Pac Bell undertook an outreach program in cooperation with community organizations. Pac Bell employees have conducted workshops in low-income neighborhoods designed to inform residents about Lifeline service. Lifeline brochures have also been sent via direct mail to low-income areas targeted by ZIP code. According to Pac Bell, the company provides free translation of the brochure through a toll-free 800 number. Lifeline is described in public service announcements that are occasionally aired on television stations in major metropolitan areas in California.

As of April 1987, there were 914,701 Lifeline subscribers in California. At this writing, there are probably well over a million. Even those who staunchly advocate maintaining the program in its current form acknowledge that there are probably some current subscribers who participate although they do not meet income eligibility requirements because they falsely self-certify their incomes, and telephone companies are not authorized to verify the information provided. On the other hand, according to Public Advocates, Inc., an intervenor in utility rate proceedings with representation on the Lifeline administrative committee, an estimated 300,000-500,000 low-income Californians currently without telephone service would sign up for Lifeline if details of the program were clearly communicated to them.[19] Further, Public Advocates estimates that an additional 800,000 low-income Californians, the majority of whom are members of ethinic minorities and do not speak English, are currently eligible for Lifeline but are paying for regular service due to ineffective outreach. The total of these numbers yields an estimate that a fully effective Lifeline outreach program would produce 2.3 million subscribers in California.

5. THE CURRENT STATUS OF LIFELINE IN CALIFORNIA

When it was enacted, the Moore Act was cited by the National Governors' Association and the National Conference of State Legislatures as a model for federal legislation. In the press release announcing the enactment of her bill, Assemblywoman Gwen Moore stated that:

> The Moore Telephone Act guarantees that thousands of Californians--especially seniors, "shut-ins," low-income, and rural citizens most dependent on the telephone--will continue to have access to affordable telecommunications.[20]

Due to increased participation in the program, a funding deficit of $26.6 million is projected for the second quarter of1988. In addition, legislation enacted in July 1987 altering the Lifeline program prompted the California Public Service Commission to initiate a proceeding to increase funding and comply with the legislation.

The original Moore Act intended to provide a class of local service that was designed to meet the minimum residential communication needs of eligible customers:

> ...including access to telephone service for emergency communications with public agencies and private medical services and for additionally maintaining necessary social contacts by the elderly, the handicapped and the infirm. The commission [PUC] shall take into account differentials in communication needs, costs of providing services caused by geographical differences in the locales of residences, personal income of subscribers, and other factors.[21]

The service was to be funded through a tax on the gross receipts of suppliers of intrastate, interLATA telecommunications service, and other types of intrastate services. Intrastate, interLATA calls are "in between" local and long distance calls. They are made within a state but between local access and transport areas (LATAs). The state of California is divided into ten LATAs. The companies that provide this "in-between" service are called interexchange carriers (IECs). There are approximately 83 in California, and all are taxed to fund the Lifeline program. By contrast, Lifeline service is administered and provided to customers by 23 local exchange carriers (LECs). The Pacific Bell Company provides local telephone service to approximately 90 percent of all residential customers in California. The remaining customers are served by either the General Telephone Company or one of 21 other small companies.

Prior to a PUC decision issued on October 31, 1987, the companies that actually administer and provide the service were not taxed to pay for Lifeline. Following the decision, all companies providing telephone service in California were taxed equally to pay for the program.

The Ongoing Investigation (OII 83-11-05)

Since the implementation of Lifeline, the program has undergone several significant changes. Following passage of the Moore Act, the PUC issued an Order Instituting Investigation (OII 83-11-05). Pursuant to the investigation, a decision was rendered (D. 84-04-053) establishing criteria and procedures for participant eligibility, the type of services that would be available, and the companies to be taxed to fund the program. The PUC decided upon a tax rate of four percent.

OII 83-11-05 was reopened in March 1985 for review. The tax rate was retained for FY 1985-86, but income eligibility requirements were increased. In 1986, the PUC determined that the tax rate should be lowered from four percent to 1.5 percent and income eligibility requirements for FY 1986-87 were increased. The decision to decrease the tax rate was based on the following considerations:

- the Lifeline fund had a large balance as of June 30, 1986;
- estimated tax receipts and fund outlays projected for FY 86-87 justified the decrease; and
- participation in the program was lower than projected.

One year after reducing the tax rate to 1.5 percent, the PUC reestablished it at four percent due to a projected funding deficit in Lifeline. The projected deficit was attributed to legislatively mandated changes to Lifeline that increased the cost of funding the program. The remedial legislation that tookeffect on January 1, 1987, added three components:

1. The option to order flat rate service was added to the measured rate service previously available to Lifeline customers. Flat-rate service requires a subsidy nearly twice that required for measured rate service.

2. The Lifeline subsidy was increased due to the $1 cost of an FCC-mandated "subscriber access charge." (Note: the charge keeps increasing in increments and scheduled to increase to a final level of $3.50 by March 31, 1989.)

3. A 25 cents per month subsidy was added toward the cost of monthly inside wire costs.

As of January 1987, the following subsidies were being provided to Lifeline customers (according to Pac Bell):

$17.25	Service Connection Charges	(50%)
$ 7.50	Service Conversion Charges	(50%)
$ 2.22	Basic Rate option	(50%)
$ 4.12	Flat Rate option	(50%)
$ .75	Equipment credit	(var.)
$ .25	Inside wire credit	(var.)
$ 1.00	Access charge	(100%)

When the PUC reestablished the tax rate at four percent in April 1987, it also reopened OII 83-11-05. The PUC noted that the deficit that had been projected to accrue to the 1.5 percent rate was just as likely to occur at the four percent rate. In reopening the investigation, the PUC requested that all LECs providing Lifeline service file the following information:

a. Number and percentage of customers currently subscribing to Lifeline.

b. Number and percentage of customers eligible but not participating in the program.

c. Average monthly program cost per Lifeline customer and per regular telephone customer.

d. Average monthly administrative cost per Lifeline customer and per regular telephone customer.

e. Average monthly dollar benefit by service, (e.g., flat or measured) that Lifeline customers realized.

f. Accuracy of self-certification forms.

g. Effect on Lifeline program results if California were to qualify for the Federal Communications Commission access charge contribution.

The companies filed responses in compliance with the PUC's request. In response to question b, the companies estimated the number of customers they believed are eligible but not participating in the Lifeline program. It is not clear how these estimates were to be arrived at and, in fact, only three of the 16 responding companies provided such an estimate. Thus, the estimates are of slight value to an analysis of Lifeline eligibility versus actual participation.

In response to question f, all companies said they had no way of knowing the accuracy of self-certification forms. In response to question g, all companies estimated the savings that they believed would accrue to the Lifeline fund were California to comply with FCC requirements and receive full coverage of the FCC subscriber line charge. The estimate provided by Pac Bell was \$12.5 million in savings annually.

Soon after the PUC reopened OII 83-11-05, California lawmakers intervened yet again. Assembly Bill 386 (AB 386), which took effect in July 1987, altered the funding mechanism for Lifeline and mandated that a public proceeding be conducted to ensure the participation of "interested parties." It gave the PUC leeway to change Lifeline rates, funding requirements and methods, and to require more companies to contribute to the program. The four percent rate was extended on an interim basis.

AB 386 was linked to the Gann Initiative, known as Proposition 13, that was enacted in 1979. That initiative capped the annual increases in state spending. When the projected annual cost of the Lifeline program increased from $60 million in 1986 to $140 million in 1987, the Gann Initiative limitation posed a problem. The legislative solution was to remove the program from the state budget by changing the terminology of the funding mechanism for Lifeline. Instead of calling the mechanism a "tax" to be collected by the Board of Equalization and dispensed under the supervision of the Controller, the mechanism is now called a "surcharge."

Parties to the proceeding submitted initial and reply testimony, on the basis of which the PUC issued the October 31, 1987, Interim Order. The issues addressed in the proceeding and Order were as follows:

1. The nature of the annual proceeding the PUC is required to hold under AB 386.

   a. Should it be by "advice letters" or full, evidentiary hearing? (The advice letter procedure allows companies to file written comments and allows for no inter party dialogue.)

   b. On what date should companies be required to file annual reports? (This issue is relevant to the compilation of accurate data on low-income residents because the federal poverty level is published in the late spring.)

c. What funding methods should be considered: surcharging interLATA services (current system), surcharging inter- and intraLATA toll services, or surcharging all services except Lifeline?

d. What types of telephone companies should be surcharged: IECs (current system), LECs (e.g., Pac Bell and General Tel), and/or radio or cellular telephone companies?

e. What surcharge rate should be used? Proposals ranged from a low of 1.7 percent on all intrastate services to a high of 8.9 percent on only interLATA services.

2. Should a pooling method similar to the Deaf Trust Fund be established to collect and dispense surcharges? (The Deaf Trust Fund was set up to provide services to disabled Californians.) If so:

a. Who should administer the pool? (Pac Bell?)
b. How should surcharge funds be transmitted to the pool?
c. How should Lifeline claims be paid out of the pool?
d. Who manages the pool money?
e. What are proper items reimbursable from the pool?
d. What controls would safeguard pool funds from abuses?

3. Should the PUC establish procedures necessary to ensure that the Lifeline program qualifies for any federal funds available for the support of such programs? (AB 386 stated that the PUC may do so.)

6. LIFELINE CUSTOMER REPRESENTATION IN CURRENT PROCEEDINGS

Four intervenors in the current Lifeline proceeding represent ratepayer interests: Towards Utility Rate Normalization (TURN),[22] Public Advocates, Inc.,[23] Consumer Action,[24] and the Public Staff Division of the Public Utilities Commission.[25] TURN is a non-profit organization that routinely intervenes in utility rate cases on behalf of consumers. TURN filed testimony in the Pac Bell marketing abuse proceeding on behalf of a "low-income/minority coalition." Public Advocates is a nonprofit, public interest law firm representing the following parties in OII 83-11-05: Chinese for Affirmative Action, Center for Southeast Asian Refugee Resettlement, League of United Latin American Citizens, and The American G.I. Forum. Consumer Action is a nonprofit research and advocacy organization. It has played an active advocacy role for telephone consumers since divestiture. One of the many functions of the PUC's Public Staff Division is to represent ratepayer interests in commission proceedings. The division was primarily responsible for calling attention to and correcting Pac Bell's abusive marketing practices in 1986. TURN, Public Advocates, and Consumer Action have all participated in PUC Lifeline workshops. TURN and Public Advocates filed briefs in both the marketing abuse and the Lifeline proceedings.

Testimony filed by TURN focused primarily on the level of funding required for the program. TURN acknowledges, as do all parties, that the number of Lifeline subscribers will continue to increase as outreach and education efforts improve; however, TURN disputes allegations that the Lifeline fund will suffer the level of deficits that have been projected to result from increased subscribers. TURN contends that the deficits in funding that have been projected for the Lifeline program are overstated because the number of Lifeline customers is expected to increase and economies of scale should offset the need for increased funding for the program.

TURN noted that Fac Bell, which serves nearly ten times as many customers as does General Tel, incurs administrative costs that are ten times higher on a per customer basis. Clearly, no economies of scale are being realized by Pac Bell, a fact which warrants further attention. If Lifeline expenses are being overstated, the deficit that has been projected for the program may also have been overstated.

In its testimony, TURN cited additional probable cost-saving measures, such as the $15 million in annual savings that AT&T has projected would accrue if California complies with FCC requirements. If the procedures whereby Lifeline-related expenses are claimed by LECs are modified in the near future, Lifeline program costs should decrease significantly. Because the cost of interLATA calls have increased since divestiture, gross revenues earned by the companies that provide them have increased, which, TURN contends, will offset the projected Lifeline deficit.

TURN's position is that data on the current and projected costs of providing Lifeline service are inadequate; that the Public Staff Division of the PUC has overstated the funding requirements, and that telephone companies are not efficient enough in administering the program.

The testimony filed by Public Advocates, Inc. in OII 83-11-05 begins with the following: "The poorest of the poor have not yet benefited from Lifeline Service." They further testified that the organizations Public Advocates represents "reluctantly support" a temporary one dollar per month increase in Lifeline rates, provided the following conditions are met:

1. That Pac Bell and General Tel undertake a multilingual outreach program within the next 12 months to ensure that all eligible customers, including "monolingual undocumented persons" currently without telephones, are made fully aware of Lifeline.

2. That Pac Bell and General Tel set a goal of signing up 80 percent of all eligible customers to receive Lifeline by January 1990. This would include the estimated 300,000-500,000 eligible persons who have no telephone service at all, as well as those eligible who have regular service.

3. That verification of income eligibility of Lifeline customers continue to be through self-certification. In addition, random, independent audits are proposed to determine the level, if any, of fraud and the need, if any, for a change from self-certification to an alternative verification system.

4. That Pac Bell and General Tel develop and conduct a study of the demographics of those receiving and not receiving Lifeline. The study would identify whether minorities and "those most-in-need, non-English-speaking persons" are "disproportionately excluded" from Lifeline.

7. CHANGES TO THE LIFELINE PROGRAM

The Interim Opinion issued on October 31, 1987, contained the following conclusions regarding alterations in the administration of the Lifeline program:

1. The nature of the annual proceeding the PUC is required to hold under AB 386:

a. Lifeline rates will be set in this proceeding via an "advice letter" process, rather than a full evidentiary hearing. All local exchange companies must file the revenue needs they project they will have in providing Lifeline to subscribers over the next year. Advice letters become effective automatically unless an objection to their content is filed with the PUC.

   Any party objecting to a filing may file a protest and request that the PUC schedule a full evidentiary hearing on the objectionable issue. If the PUC finds merit in the protest, a hearing will be scheduled. At the completion of such a hearing, the PUC will issue an opinion setting forth any changes to the funding requirement, surcharge percentage, and/or changes to the Lifeline program.

b. The advice letters are to be filed on April 1 of each year. The annual surcharge rate will be implemented on July 1 of each year.

c. The types of services that will be surcharged to fund Lifeline have been expanded. Formerly, only intrastate InterLATA calls were surcharged. Now, both IntraLATA and InterLATA call revenues will be surcharged.

d. The method through which Lifeline will be funded has been changed so that all telephone companies serving customers in California will contribute to the program.

   That means that, in addition to the contributions currently taken from IECs, the fund will be comprised of payments from LECs and radio/cellular companies.

e. The PUC set an initial surcharge rate of four percent. This rate will continue to apply to IECs as it now does. The surcharge rate will not be applied to LECs until January 1, 1988.

   This delayed implementation will give the LECs the opportunity to notify their customers of the new surcharge.

2. A pooling method similar to the Deaf Trust Fund may be established to collect and dispense surcharges:

a. The Lifeline program will be administered on an industry-wide basis through a trust.

b. The trust will be administered by a Lifeline administrative committee.

c. The committee will be responsible for the receipt and investment of Lifeline surcharge monies and for the payment of monies expended by the LECs and the IECs for actual Lifeline costs incurred.

d. The committee will arrange for an annual audit of the Lifeline trust fund by an independent certified public accounting firm.

e. The duties of the committee will be financial and administrative, not policy making.

f. The committee will be made up of five representatives to be selected from the five largest LECs, the small LECs, public interest groups, and the IECs. In lieu of a PUC representative on the committee, there will be two public interest group representatives. Committee members will be selected by the PUC's Evaluation and Compliance Division.

3. The PUC will establish procedures necessary to ensure that Lifeline qualifies for any federal funds available for the support of such programs:

a. The PUC concluded that they are under an obligation to ratepayers to explore all possibilities for obtaining federal funds for Lifeline. Workshops will be held to evaluate the FCC's requirements and determine whether California can develop a verification program that will comply.

b. The workshops will explore whether the program can be implemented on a cost effective basis so as not to obliterate potential savings through high administrative costs.

c. If necessary, evidentiary hearings will be scheduled after the workshops have been completed.

Verification

Assemblywoman Moore was among those who testified before the PUC during its investigation into implementing the Moore Act. In her testimony, she addressed the issue of what name the Lifeline program should have. In this context, she stressed that:

> There should be no doubt in the minds of telephone customers that this new category of service is anything other than first class service satisfying an entitlement acknowledged by the Legislature. Any name suggesting that UTS [universal telephone service] is an inferior class of service or "telephone welfare" would absolutely contravene the Legislature's intentions that UTS be as valid a service option for qualified telephone customers as any other.[26]

From the inception of its Lifeline program, the state of California has declined to institute a verification procedure, relying on self-certification of eligibility instead. Lifeline subscribers are required to notify their telephone company of a "change in any condition which occurs that would cause the household to no longer qualify for the service."[27] If the telephone company "discovers that conditions exist which cause the recipient not to qualify for Lifeline, the customer will be notified that the service will be converted to regular rates, retroactive to the date when the customer can prove they became ineligible."

As of March 1987, the FCC will pay the full amount of the subscriber line charge in states that provide an income test for subscribers and verify the test results. Approximately 18 states currently qualify for full FCC benefits. The FCC discourages states from using self-certification, preferring instead that Lifeline subscribers be those who are already receiving social welfare benefits through programs such as Supplemental Security Income, Aid to Families with Dependent Children, or the Home Energy Assistance Program.

Because California does not have a verification procedure in place, it only receives one-half of the FCC benefits. Thus, while California Lifeline subscribers do not pay the charge at all, the portion that the FCC refuses to cover must be taken out of the state Lifeline fund.

The California Lifeline self-certification procedure is among the issues to be resolved in the current PUC Lifeline proceeding. Several parties who testified in the proceeding advocated that the PUC take steps to comply with the FCC requirements. The American Telephone & Telegraph Company estimates that California could receive as much as $15 million through compliance with the FCC requirements. This estimate is derived from multiplying a $1.30 monthly savings per customer by the number of Lifeline subscribers (currently approximately one million). In testimony filed with the PUC, AT&T noted that Californians are "subsidizing" the 18 states currently receiving full FCC benefits.[28] They argue that by paying long distance rates, Californians are contributing to the FCC lifeline funds but not getting a full share of them in return.

Those who argue in favor of switching from self-certification to verification cite the potential savings that could be realized through the switch. Further, the argument is made that the switch will purge fraud from the program. As an alternative, Public Advocates has suggested that random audits be conducted in place of a full-scale verification program.

The major argument of those who oppose switching from self-certification to verification is that the switch will discourage many eligible customers from subscribing. Some older people are unwilling to certify themselves as poor and to accept "handouts." Some may refuse to participate in social welfare programs due to a perceived stigma attached to charity or a personal conviction against such programs. Further, many believe that information about one's age, family size and income is none of the phone company's business.[29]

The substantial paperwork that a verification program would entail could discourage those with literacy problems from applying. Public Advocates notes that paperwork tends to discourage large percentages of low-income persons from applying for benefits because many such persons are either functionally illiterate or do not speak English. Further, it has been suggested that such persons may fear the information gathered about them will be used to deport them, even if they are legal alien residents of the United States.

A further argument against the switch is that it may turn out to be so expensive to implement verification that any increase in FCC monies will be offset. The PUC is aware of this possibility and has stated that if this is the case, the self-certification procedure will be maintained.

The FCC currently requires 100 percent verification before granting a 100 percent waiver of the subscriber line charge. The PUC has said that it does not intend to pursue verification of 100 percent of Lifeline customers. Instead, the commission hopes to devise a program that "complies with the spirit, if not the letter of the [FCC] law."[30] The FCC has already demonstrated some flexibility in agreeing to contribute one-half of the subscriber line charge in California, despite the state's lack of a verification program. According to the PUC, although FCC rule 69.203, (subsection (g)) requires state programs to be narrowly targeted, the FCC has given states latitude in shaping benefits and setting eligibility requirements.

January 1988 Workshops

Pursuant to the PUC decision issued on October 31, 1987, two day-long and one half-day workshops were held on January 12, 13 and 26, 1988, in San Francisco. The aims of the workshops were to:

1. Develop a uniform cost-data-filing format for all LECs.
2. Develop a uniform transmittal form for deposit of Lifeline surcharge monies to the fund.
3. Develop a uniform claim request form for utilities to seek compensation for Lifeline costs incurred.
4. Determine the specific FCC requirements for verification of eligibility, whether an acceptable verification program can be developed to meet the FCC's requirement, and, if so, whether it can be implemented on a cost-effective basis.
5. Consider the following changes to the Lifeline program:
    a. Elimination of the 25 cents inside wire and the 75 cents monthly equipment credits.
    b. Setting a maximum for the subsidy provided to flat-rate customers.
    c. Revisions to the outreach program.
    d. Revisions to PUC General Order 153 which sets out a procedure for administration of the Moore Universal Service Act.

The workshop forum was used in 1984 when the PUC issued the decision implementing the Moore Act (PUC decision No. 84-04-053). Workshops were held to resolve issues not clarified in the decision. According to Moore aide and Lifeline advocate Robert Jacobson, these issues were crucial ones:

> Among the issues still to be resolved were the method of announcing and taking lifeline applications, billing, the definition of a household, punishment for "abusers," compensation for the local telephone companies providing the new lifeline service, and other bread-and-butter topics...[31]

These topics were explored during six workshops held at the PUC's San Francisco offices. In attendance, according to Jacobson, were representatives of the telephone industry, Consumer Action, Public Advocates, and Toward Utility Rate Normalization. Many of the same parties attended the January 1988 workshops.

The 38 participants at the January workshops included representatives of consumer groups--Consumer Action, Public Advocates, and TURN--AT&T, Pacific Bell, MCI, U.S. Sprint, General Telephone, several local exchange telephone companies and the California Public Utilities Commission. At least one more workshop will be scheduled in the future. At this writing, the workshop findings are in draft form. The final version will be submitted to Administrative Law Judge Galvin. Formal hearings will then be held on the workshop findings. Finally, an order will be issued and changes to the program will be implemented.

Workshop participants were able to reach a consensus on some administrative aspects of the Lifeline program. For example, a simplified monthly claim request form was developed for Lifeline providers. However, the parties did not agree upon a system for analyzing operating expense and lost revenue claims. That issue as deferred until a future workshop.

TURN expressed the view that operating expenses such as customer notification and marketing should be considered normal operating costs not reimbursable from the Lifeline fund. TURN, Consumer Action and AT&T joined in requesting that the monthly claim forms solicit sufficiently detailed information to allow costs to be tracked and audited. TURN suggested that the number of customers and related costs could be broken down by class of service. Public Advocates noted the benefit of being able to collect information on customer demographics. In response to these suggestions, a local exchange company that currently provides Lifeline service pointed out that adding information to the monthly forms would increase the administrative costs of processing them.

Workshop participants did not reach a consensus on a program for verifying the incomes of Lifeline subscribers. While all agreed that the concept of such a program has merit, there was disagreement on the logistics and pros and cons of implementing one. California currently does not link Lifeline eligibility to other social service programs, yet it receives a partial waiver of the subscriber line charge from the FCC. Workshop participants discussed whether California should make such a link. Lifeline is now available to some people, such as new immigrants, who do not qualify for social service programs. Yet, it is not available to some who do qualify for social services, such as members of multi-member households. (Lifeline subscribers may only have one telephone per household, thus some social service-eligible persons cannot be Lifeline subscribers if they live communally.)

Participants in the January workshops discussed a suggestion to computer-match Lifeline subscribers against welfare rolls or the Franchise Tax Board database to ascertain income eligibility. This would require Lifeline subscribers to disclose their Social Security numbers to the local exchange companies currently providing Lifeline service. Public Advocates pointed out that new immigrants and illegal aliens granted amnesty are not eligible for government assistance programs for five years, and thus they would be deemed ineligible for Lifeline. Further, requiring applicants to provide their Social Security numbers raises issues of legality and privacy.

Workshop participants discussed the pros and cons of the suggested computer matching. A significant benefit of the suggestion is that it could serve as an automatic purge. Those who know they do not qualify would voluntarily remove themselves from the Lifeline program. Those who did not voluntarily remove themselves would be identified after social service databases and FTB files were matched against Lifeline eligibility.

Workshop participants evaluated these considerations and concluded that further discussion is warranted. The group concluded that, while computer matching would be desirable, a single state agency may not have the resources to affect the program. The local exchange companies made it clear that they are unwilling to undertake such a program.

The group then discussed revisions to the Lifeline outreach program. Public Advocates reiterated their view that 300,000 to 500,000 Californians who qualify for Lifeline are unaware that the program exists. They contend that most of these people do not speak English. Three suggestions were discussed to remedy the problem:

1. Television ads aimed at foreign language speakers.
2. Church or community organization activities for targeted groups.
3. The Immigration and Naturalization Service contacting recent immigrants and former illegal aliens granted amnesty.

Consumer advocates asserted that the local exchange companies should pay for outreach activities; the companies believe the costs should be paid by the Lifeline fund.

Remaining issues such as eliminating the monthly inside wire and equipment credit, revising General Order 153, and setting a maximum subsidy for flat-rate Lifeline customers were deferred until future workshops.

8. RECOMMENDED COURSE OF ACTION FOR CONSUMER ADVOCATES

On the whole, the California Lifeline program can still serve as a viable model for other states. Some Lifeline advocates believe the program is in jeopardy, because pending changes to the program may erode the benefits it provides to low-income users. Further, the PUC has recently embarked on a separate, full-scale telephone deregulation administrative proceeding that may further increase local rates.

As local rates increase, so will the number of telephone customers in need of Lifeline. For this reason, ratepayer advocates must intervene in telephone rate proceedings to keep local rates down, while supporting the Lifeline concept. It is important to avoid pitting regular ratepayers against Lifeline subscribers. The California PUC Public Staff Division argues that Lifeline represents a drain on regular ratepayers. This argument could potentially result in public ill will being misdirected at Lifeline subscribers themselves. The fact is that the more local rate increases the PUC authorizes, the more Lifeline subscribers there will be, and many of them will be former "regular" ratepayers.

Ratepayer advocates should demand that the monthly claim forms filed by Lifeline providers be sufficiently specific to allow periodic auditing. This is the only way to ensure that providers are only being reimbursed by the Lifeline fund for Lifeline-related expenses. Further, the claim forms should solicit information on customer demographics that will allow the program to be monitored. It is crucial that Lifeline customer data be continuously collected.

Ratepayer advocates must be prepared to meet the allegations of fraud that have been leveled at the program and to defend self-certification. Further, alternatives to 100 percent verification must be proposed that would be acceptable to consumers. For example, the random audits proposed by Public Advocates might suffice to persuade the FCC to give California the full benefits of reimbursement of the subscriber line charge. The California PUC reportedly has approached the FCC with a proposal to secure a waiver of the verification compliance requirement. Details of the proposal are not publicly available, but this possibility continues to be discussed.

The Public Staff Division of the PUC is advocating the elimination of the monthly credits for equipment and inside wire charges. PUC economist Karen Miller estimates that their elimination will save the Lifeline fund $12 million annually. To date, no study has been conducted on the effect of their elimination on Lifeline subscribers.

The March 1987 study of households without telephone service in California conducted by Westat, Inc. concluded that 74 percent of respondents were not aware of any financial assistance programs to help low-income people get or keep telephone service.[32] This finding suggests that continued improvements are needed in the Lifeline outreach program.

On an optimistic note, consumer advocates can continue to press for telephone services to be "costed out." Thus, if the cost of high-technology services used by businesses can be separated out from the cost of basic, "voice grade" service, local rates have a chance of remaining at reasonable levels.

In an ideal society, everyone would have enough money to pay bills. In an ideal telecommunications marketplace, there would be no need for Lifeline service because basic telephone service would be universally affordable. In the present socioeconomic climate, organizations concerned with the needs of older and low-income citizens must continue to advocate for Lifeline. As one customer stated:

> We all know we need a phone. It is necessary for many thing.[sic] The senior citizen, there are people who dies from being lonesome, and lonely is just alcohol, it is a disease. But if somebody had a phone, they could call up somebody, if there was an emergency...[33]

ENDNOTES

1. 47 U.S.C. Sec. 151 et seq.

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3. Joint Telecommunications Study, National Survey Report, April 1987. Conducted for AT&T, AARP and CFA by the Opinion Research Corporation, 600 Maryland Avenue, S.W., Washington, DC.

4. U.S. Bureau of the Census, Current Populations Survey, March 1987.

5. Universal Service on Hold, A National Survey of Telephone Service Among Low-Income Households, U.S. PIRG, Washington, DC, January 1987, 6.

6. Telephone Lifeline: Concepts and Advocacy Issues, American Association of Retired Persons, Washington, D.C., August 1986, 2.

7. A.B. 1348, Chapter 1143, Statues of 1983, California.

8. Ibid.

9. Karen Miller, California Public Utilities Commission economist, telephone conversation with author November 24, 1987.

10. Open Planning for Informnation Policy: the Moore Universal Telephone Service Act as an Alternative Information Policy Process, Robert Jacobson, Ablex Publishing Co., Norwood, N.J., (publication pending) 88.

11. A.B. 1348, Chapter 1143, Stats 1983.

12. Survey of Households Without Telephone Service, Westat, Inc., 1650 Research Boulevard, Rockville, MD, March 1987..

13. Ibid., 3.

14. Ibid., 32.

15. See Application No. 85-01-034, PUC Marketing Abuse Proceeding.

16. See Qualifications and Additional Prepared Testimony of Karen L. Miller. Application No. 85-01-034, OII No. 85-03-078, Residence Marketing Activities of Pacific Bell.

17. Ibid.

18. PUC Order Instituting Investigation 83-11-05.

19. See testimony filed in OII 83-11-05 by Low-Income and Minority Groups Regarding Universal Service.

20. Press Release issued by the office of Assemblywoman Gwen Moore, September 28. 1983.

21. A.B. 1348, Statues of 1983, sec. 2 (a)

22. Toward Utility Rate Normalization, 693 Mission Street, San Francisco, California.

23. Public Advocates, 1535 Mission Street, San Francisco, California.

24. Consumer Action, 693 Mission Street, San Francisco, CA.

25. Public Utilities Commission, State Building, 505 Van Ness, San Francisco, California.

26. Responses of the Assemblywoman Gwen Moore, Chair of the California Assembly Committee on Utilities and Commerce, to questions raised in OII 83-11-05.6.

27. PUC General Order 153, sec. 3.11.

28. PUC Interim Opinion (Decision 87-10-088) October 28, 1987, 10.

29. Editorial, Sacramento Bee, "Who Gets the Lifeline?", April 9, 1984.

30. Telephone conversation with Karen Miller, November 24, 1987.

31. Jacobson, 132.

32. Westat, Inc., 32.

33. Testimony of O.D. Ogilvie, Oakland, California, OII 83-11-05, p. 427, excerpted from Jacobson.